

## **Historic, Archive Document**

Do not assume content reflects current scientific knowledge, policies, or practices.





# A281.8 F22 THE FARM INDEX

Also in this issue:  
 1965 in Review  
 The Rural-Urban Gap  
 U. S. Share of World Cotton Trade

ECONOMIC RESEARCH SERVICE • U.S. DEPARTMENT OF AGRICULTURE • AUGUST 1966

<b>ONIONS</b>	JUICY CALIFORNIA	12 in poly bag	39¢
<b>SPINACH</b>	JUICY FRESH	doz.	39¢
<b>PEPPERS</b>	JUICY FLORIDA	3 BAGS \$1.00	4 lb. poly bag 39¢
<b>PEPPERS</b>	CALIFORNIA VALENCIA	4 lb. poly bag	49¢
<b>PEPPERS</b>	SWEET YELLOW	5 ears in cello pkg.	35¢

## FREEZER SAVINGS!

**DELMONICO STEAKS** \_\_\_\_\_ lb.  
**SIRLOIN TIP STEAKS** \_\_\_\_\_ lb.

<b>GREEN PEPPERS</b>	CALIFORNIA WONDER	4 for	29¢
<b>CARROTS</b>	SUGAR SWEET	2 lb. poly bag	19¢
<b>ROMAINE LETTUCE</b>	FRESH		12¢
<b>CHICORY</b>	FRESH	lb.	12¢
<b>ESCAROLE</b>	FRESH	lb.	12¢

**FRESH SPRING ONIONS or RED RADISHES** 2 bunches 19¢

**1 WHITE  
POTATOES**  
poly bag 59¢

**CORN  
CARROTS  
CREAMED SPINACH**  
3 10-oz. pkgs. 89¢

WHAT MAKES FOOD PRICES?

**FREE 3 POUND CAN \$1.95**

<b>CABBAGE</b>	NEW GREEN
<b>LEAFY GREENS</b>	KALE
<b>RED YAMS</b>	U.S. NO. 1 CAROLINA
<b>ONIONS</b>	U.S. NO. 1 ALL-PURPOSE
<b>PARSNIPS</b>	CALIFORNIA FRESH
<b>BEETS</b>	FRESH BLOOD-RED

**FRESH CUT-UP CHICKEN PARTS**

WHOLE LEGS WITH THIGHS

lb. 49¢

BREASTS

lb. 55¢

NONE PRICED HIGHER

**DIME SALE!**

CUT BEETS

lb. can

POTATOES

3-oz. can

VEGETABLES

15½-oz. can

GOLDEN CORN

lb. can

U.S.D.A. "CHOI"  
**SHOULDER CLOD ROAST**  
 LAZY-AGED-BO

**CROSS-CUT ROASTS**

**ALL MEAT FRANKS**

CRISP, FRESH  
**CUKES or PEPPERS**  
 JUICY AND SWEET  
**CALIFORNIA ORANGES**  
 RIPE, FULL COLOR WESTERN  
**NECTARINES**





# economic trends

ITEM	UNIT OR BASE PERIOD	'57-'59 AVERAGE	1965		1966		
			YEAR	JUNE	APRIL	MAY	JUNE
Prices:							
Prices received by farmers	1910-14=100	242	248	254	265	263	264
Crops	1910-14=100	223	232	241	236	239	241
Livestock and products	1910-14=100	258	261	265	291	284	283
Prices paid, interest, taxes and wage rates	1910-14=100	293	321	323	333	333	333
Family living items	1910-14=100	286	306	307	314	315	314
Production items	1910-14=100	262	276	278	283	283	283
Parity ratio		83	77	79	80	79	79
Wholesale prices, all commodities	1957-59=100	—	102.5	102.8	105.5	105.6	105.7
Commodities other than farm and food	1957-59=100	—	102.5	102.5	104.3	104.7	104.9
Farm products	1957-59=100	—	98.4	100.3	106.4	104.5	104.1
Food, processed	1957-59=100	—	105.1	106.1	110.6	110.5	110.5
Consumer price index, all items	1957-59=100	—	109.9	110.1	112.5	112.6	—
Food	1957-59=100	—	108.8	110.1	114.0	113.5	—
Farm Food Market Basket: <sup>1</sup>							
Retail cost	Dollars	983	1,042	1,063	1,100	1,092	—
Farm value	Dollars	388	409	423	447	435	—
Farm-retail spread	Dollars	595	633	640	653	657	—
Farmers' share of retail cost	Per cent	39	39	40	41	40	—
Farm Income:							
Volume of farm marketings	1957-59=100	—	119	105	87	90	107
Cash receipts from farm marketings	Million dollars	32,247	39,187	2,888	2,764	2,760	3,137
Crops	Million dollars	13,766	17,334	1,094	765	747	1,146
Livestock and products	Million dollars	18,481	21,853	1,794	1,999	2,013	1,991
Realized gross income <sup>2</sup>	Billion dollars	—	44.9	45.4	—	—	48.7
Farm production expenses <sup>2</sup>	Billion dollars	—	30.7	30.8	—	—	32.5
Realized net income <sup>2</sup>	Billion dollars	—	14.2	14.6	—	—	16.2
Agricultural Trade:							
Agricultural exports	Million dollars	4,105	6,229 <sup>3</sup>	531	552	550	—
Agricultural imports	Million dollars	3,977	4,088 <sup>3</sup>	345	383	358	—
Land Values:							
Average value per acre	1957-59=100	—	139	139 <sup>4</sup>	150 <sup>4</sup>	—	—
Total value of farm real estate	Billion dollars	—	159.4	159.4 <sup>4</sup>	171.1 <sup>4</sup>	—	—
Gross National Product <sup>2</sup>							
Consumption <sup>2</sup>	Billion dollars	457.3	681.2	672.9	—	—	732.0
Investment <sup>2</sup>	Billion dollars	294.2	431.5	426.8	—	—	458.9
Government expenditures <sup>2</sup>	Billion dollars	68.0	106.6	103.7	—	—	118.4
Net exports <sup>2</sup>	Billion dollars	92.4	136.2	134.3	—	—	149.4
	Billion dollars	2.7	7.0	8.2	—	—	5.3
Income and Spending: <sup>5</sup>							
Personal income, annual rate	Billion dollars	365.3	535.1	532.2	570.5	573.0	576.4
Total retail sales, monthly rate	Million dollars	17,098	23,622	23,322	24,949	24,555	24,841
Retail sales of food group, monthly rate	Million dollars	4,160	5,577	5,534	5,981	5,930	—
Employment and Wages: <sup>5</sup>							
Total civilian employment	Millions	64.9	72.2	72.1	73.8	73.2	74.0
Agricultural	Millions	6.0	4.6	4.7	4.5	4.1	4.2
Rate of unemployment	Per cent	5.5	4.6	4.7	3.7	4.0	4.0
Workweek in manufacturing	Hours	39.8	41.2	41.0	41.5	41.4	41.2
Hourly earnings in manufacturing, unadjusted	Dollars	2.12	2.61	2.61	2.70	2.70	2.70
Industrial Production <sup>5</sup>	1957-59=100	—	143	143	154	155	156
Manufacturers' Shipments and Inventories: <sup>5</sup>							
Total shipments, monthly rate	Million dollars	28,745	40,279	39,943	43,540	44,030	—
Total inventories, book value end of month	Million dollars	51,549	68,015	64,625	70,346	71,032	—
Total new orders, monthly rate	Million dollars	28,365	41,023	40,689	45,064	45,152	—

<sup>1</sup> Average annual quantities of farm food products purchased by urban wage-earner and clerical-worker households (including those of single workers living alone) in 1960-61—estimated monthly. <sup>2</sup> Annual rates seasonally adjusted second quarter. <sup>3</sup> Preliminary. <sup>4</sup> As of March 1. <sup>5</sup> Seasonally adjusted.

Sources: U.S. Dept. of Agriculture (Farm Income Situation, Marketing and

Transportation Situation, Agricultural Prices, Foreign Agricultural Trade and Farm Real Estate Market Developments); U.S. Dept. of Commerce (Current Industrial Reports, Business News Reports, Advance Retail Sales Report and Survey of Current Business); and U.S. Dept. of Labor (The Labor Force and Wholesale Price Index).



# THE AGRICULTURAL OUTLOOK

The feed grain supply for 1966/67 will total about 209 million tons, based on July 1 prospects. This is 7 million tons below last year's supply and nearly 11 million below the 1960-64 average. A 1966 feed grain crop of about 158 million tons is in prospect. This is slightly less than last year but 8 per cent above the five-year average. Slightly lower yield per acre is in prospect this year for each of the feed grain crops.

Some 120.3 million acres were planted to feed grains, 1.2 million less than indicated by March 1 prospective plantings, but about a million more than actually planted in 1965. The corn supply for 1966/67 is estimated at 5,272 million bushels, based on July 1 prospects, slightly less than last year and about 3 per cent below the 1960-64 average. The prospective crop is 4,221 million bushels, about 50 million more than last year's record crop. But the carry-in October 1 is expected to be about 120 million bushels smaller than last year.

Strong domestic and export demand has strengthened feed grain prices more than seasonally so far in 1965/66. Favorable returns from livestock production in 1965/66 have encouraged liberal feeding per animal.

Even though the 1965 feed grain crop was 17 per cent larger than the year before, feed grain prices have been only 3 per cent lower than in 1964-65 and, excepting that year, they are the highest since 1956/57.

The wheat supply for 1966/67 is likely to total around 1,780 million bushels, 368 million below a year earlier and the smallest supply since 1952/53. The July 1, 1966, carryover was estimated at 536 million bushels, down 282 million from that date in 1965. The July Crop Report placed 1966 production at 1,240 million bushels.

In 1966/67, domestic disappearance of wheat is expected to be somewhat smaller than 1965/66's 742 million bushels, resulting from smaller use of wheat for feed. Wheat prices have re-

mained unusually strong during the harvest period and are likely to average well above the price support loan during the year. Commercial exports may continue at the high level reached last year; total exports could be somewhat smaller. Exports totaled a record 867 million bushels during 1965/66.

Based on the July Crop Report, 1966 rice production is estimated at 81.1 million hundred-weight (rough equivalent), a new record and about 4 million cwt. above last year's crop. The August 1 carryover was expected to total somewhat above the 7.7 million cwt. of last year. Including some imports, the total rice supply for 1966/67 is likely to be near 90 million cwt., a new record supply.

Exports during 1965/66 are estimated at 44.5 million cwt. (rough rice equivalent), a record high. Commercial exports were about 27 million, also a record.

Early season reports point to a big increase in canned and frozen vegetable packs this year. Acreage for processing totals 8 per cent more than in 1965, with moderate to substantial increases reported for all major items. If growing conditions are normal, aggregate output will be much above last year and close to the record tonnage in 1962.

Part of the prospective increase in packs will be offset by the light carryovers in mid-1966. But supplies of nearly all major vegetable commodities in the 1966/67 marketing season are expected to be well above those available last season.

Heavy potato supplies are indicated for the remainder of this year. Summer crop output is a tenth larger than a year earlier due to more acreage and better yields. And fall crop acreage is 5 per cent over 1965 and the largest since 1949. Markets in all areas were under heavy pressure during July with prices much below the high levels of a year earlier when supplies were tight.



Mill consumption of raw wool in the United States during 1966 is expected to exceed 400 million pounds, scoured basis, compared with 387 million pounds used in 1965. Civilian orders for apparel wool products increased in 1966. Raw wool prices have moved up gradually over the past 12 months. Expanded use of apparel wool will account for most of the total increase in wool consumption. Compared with a year earlier, mill use of apparel wool in 1966 is estimated to be up about 7 per cent and will total 290 to 295 million pounds. Wool use on the worsted system during January-April 1966 increased more than use on the woolen system, compared with a year ago. Mill use of carpet wool during 1966 likely will be about the same as the 112 million pounds used a year earlier.

Effective June 30, USDA raised dairy price supports for manufacturing milk to \$4 per 100 pounds—an increase of 50 cents. The butterfat support was set at 68 cents per pound. The new levels are 89 per cent of the June parity price equivalent for manufacturing milk and 82 per cent of the parity price for butterfat. The support increase is effective through March 1967. USDA also raised Class I prices (milk for bottling) in federal milk order markets.

Milk production for calendar year 1966 currently is projected at 2 to 3 percent below last year's 125.1 billion pounds. Manufacturing milk prices to producers likely will average above the new support level in second half 1966 because of the tight supply situation.

The downtrend in milk production continued in June with output for the month 3 per cent

below a year earlier. Rate of production per cow in June gained 3 per cent over the previous year, the first month since July 1965 that gains approached the long-run upward trend. June milk and cream prices to producers averaged slightly above May, and were up 11 per cent from June 1965.

A sharp rise in U.S. cotton exports—to around 5½ million bales—is expected during the 1966/67 crop year (August 1, 1966–July 31, 1967). Also, a slight further increase is expected in mill consumption. Therefore, total disappearance is likely to total around 15 million bales, compared with about 12½ million in 1965/66. U.S. exports are expected to rise about 2½ million bales as a result of increasing cotton consumption by foreign mills and some rebuilding of cotton stocks abroad. The 1966 loan rate for cotton is set at competitive world prices. CCC is currently selling cotton at 22 cents a pound, compared with 24 cents for the previous crop year.

Domestic mill use of cotton is expected to show a further slight increase in 1966/67 from the 9½-million-bale level of 1965/66. This prospect stems from a continued high level of economic activity, strong demand—civilian and military—for textile products, and cotton's slightly better price position.

As of July 1, acreage planted for the 1966 crop was estimated at 10.6 million acres, down 25 per cent from a year earlier and the smallest in over 90 years. Planted acreage was reduced sharply this year by producer participation in the 1966/67 acreage diversion program.

#### *Numbers in parentheses at end of stories refer to sources listed below:*

1. W. D. Goodsell, Farm Costs and Returns: Commercial Farms by Type, Size and Location, AIB-230 (Revised 1966) (P); 2. R. D. Reinsel (SM); 3. A. S. Fox, Demand for Farm Tractor Power in the United States—A Regression Analysis, AER (M); 4. L. A. Jones, Farm Accidents, ERS-293 (P); 5. Farm Real Estate Market Development, CD-68 (P); 6. W. R. Bailey, Necessary Conditions for Growth of the Farm Business Firm (S); 7. Farm Production Economics Division, Changes in Farm Production and Efficiency: A Summary Report, 1966, Stat. Bul. 233 (P); 8. W. W. Gallimore, Characteristics of Contracts that Provide for Growth and Development in the Egg Industry (S); 9. H. C. Gilliam, Jr. (SM); 10. & 11. Economic Development Division, Rural People in the American Economy, AER-(M); 12. R. W. Hecht, Trends and Prospects for Employment and Labor Use in Agriculture (S); 13. B. T. Inman (SM); 14. K. E. Ogren, Marketing Research: A Tool for Decision Making (S); 15. I. W. Ulrey,

Current Problems in Transportation in the Trans-Missouri West (S); 16. Tobacco Situation, TS-116 (P); 17. & 18. W. E. Cathcart and J. R. Donald, Analysis of Factors Affecting U.S. Cotton Exports, AER-90 (P); 19. L. P. Schertz, The Grain-Livestock Economy of the European Economic Community: An Historic Review, 1951-63 (M); 20. D. H. Rahe, Foreign Agricultural Trade, July 1966 (P); 21. Far East Branch, The Far East-Oceania Agricultural Situation: Midyear Review, ERS-For. 162 (P); 22. Foreign Regional Analysis Division (SM); 23. R. Lifquist (SM); 24. R. E. Hatch and D. S. Moore, Effects of Changes in the Price of Cotton Allotments on Aggregate Farm Production in the Lower Rio Grande Valley of Texas, Tex. Agr. Expt. Sta. MP-802 (P\*).

*Speech (S); published report (P); unpublished manuscript (M); special material (SM); \*State publications may be obtained only by writing to the experiment station or university cited.*



*Although operating expenses were up on most farms, increases in prices received for products offset higher costs.*

Net farm incomes averaged higher in 1965 than in 1964 on 31 of 42 important types of commercial farms in 24 major farming areas of the United States. They were lower on nine types of farms and about the same on two.

The largest increase and the largest decline in returns occurred on cotton farms. Net farm income per farm on nonirrigated cotton farms in the High Plains of Texas advanced from \$1,877 in 1964, a year of extreme drought in this area, to \$9,857 in 1965. On large cotton-general crop farms in the San Joaquin Valley of California, net farm income declined from \$100,141 in 1964 to \$75,920 in 1965 because production and prices of cotton and alfalfa hay, the two major crops on these farms, were lower than in 1964.

Increases in income from 1964 to 1965 were often substantial. Of the 31 farm types with higher incomes, more than half showed hikes of 25 per cent or more; three showed gains of less than 10 per cent. On the other hand, only two of the nine farm types with lower incomes in 1965 showed declines of more than 20 per cent. The major factors contributing to higher incomes in 1965 were increases in output and in prices received for farm products sold.

The largest declines in production in 1965 occurred on tobacco and tobacco-cotton farms in the Coastal Plain of North Carolina. Prices received for tobacco advanced in 1965, but not sufficiently to offset lower production. Net farm income declined 18 to 22 per cent.

Prices received advanced strongly in 1965 on farm types with major livestock enterprises, particularly on those where hogs,



feeder calves and lambs were important. Prices received averaged substantially higher than in 1964 on cotton-specialty crop farms in the San Joaquin Valley. Potatoes are an important crop on these farms and potato prices were up 32 per cent in 1965.

Prices paid for goods and services used in production averaged higher in 1965 than a year earlier on 34 of the 42 types of farms; operating expenses advanced from those of the previous year on 33.

Although operating expenses were higher in 1965 on most of the farms, increases in production and in prices received for products sold on many farms offset the higher costs. For example, of the 33 types of farms with higher expenses in 1965, 25 also had higher net incomes.

Total aggregate net farm income (including net change in in-

ventory) for all farms in the United States was about \$14.4 billion in 1965, up \$2.3 billion from 1964. Total net income per farm averaged \$4,280 in 1965, a gain of nearly 23 per cent from the 1964 average. The number of farms in the United States declined 3 per cent from 1964 to 1965 while total net farm income increased more than 19 per cent during the year.

Realized gross farm income in 1965 at \$44.4 billion was a record high, exceeding the 1964 figure by about 5½ per cent. This increase was due mainly to substantially higher cash receipts from livestock product marketings. These receipts were estimated at \$21.8 billion in 1965, up about \$2 billion from a year earlier. Receipts from crop marketings—\$17.1 billion—were about the same in both 1964 and 1965. (1)

## MOST COMMERCIAL FARMERS HAVE HIGHER NET INCOMES IN 1965 THAN YEAR EARLIER

Type of farm and location	Net incomes			Index of net farm output			Index of prices received		
	1963	1964	1965 <sup>1</sup>	1963	1964	1965 <sup>1</sup>	1963	1964	1965 <sup>1</sup>
	Dollars			1957-59 = 100			1957-59 = 100		
<b>Dairy farms:</b>									
Central Northeast	4,101	4,264	4,271	123	128	128	95	95	97
Eastern Wisconsin:									
Grade A	6,005	6,731	6,265	122	128	123	98	100	103
Grade B	3,257	3,493	3,218	121	125	117	100	100	106
Western Wisconsin, Grade B	4,831	2,939	4,635	128	106	122	99	99	106
Dairy-hog farms, southeastern Minnesota	4,545	3,815	5,116	119	112	119	100	99	107
Egg producing farms, New Jersey	2,093	2,438	4,400	130	142	164	92	88	90
<b>Broiler farms:</b>									
Maine	3,665	3,559	3,551	114	118	126	111	109	103
Delmarva:									
Broilers	2,241	2,433	2,743	151	160	171	107	111	113
Broiler-crop	5,954	5,998	8,653	122	125	172	111	110	104
Georgia	803	707	1,599	112	113	131	88	86	103
<b>Corn Belt farms:</b>									
Hog-dairy	6,660	6,703	10,543	114	116	123	95	95	114
Hog fattening-beef raising	3,714	4,262	7,927	128	142	168	98	94	110
Hog-beef fattening	6,888	9,349	16,488	125	129	136	91	92	106
Cash grain <sup>2</sup>	13,756	12,992	13,522	143	135	151	107	108	102
<b>Cotton farms:</b>									
Southern Piedmont	2,891	3,116	2,826	125	140	135	101	95	94
Mississippi Delta:									
Small	2,708	2,472	2,374	136	132	129	105	99	97
Large-scale	40,167	35,811	29,563	133	133	126	106	99	97
Texas:									
Black Prairie	5,302	4,785	5,071	144	149	156	107	99	100
High Plains (nonirrigated)	10,320	1,877	9,857	126	53	127	105	95	93
High Plains (irrigated)	17,507	13,034	17,679	118	109	132	105	97	94
San Joaquin Valley, California (irrigated):									
Cotton-specialty crop	23,723	68,006	83,655	106	106	104	97	138	163
Cotton-general crop (medium)	32,117	33,419	26,910	102	107	106	112	111	106
Cotton-general crop (large)	93,922	100,141	75,920	103	109	104	111	110	106
Peanut-cotton farms, Southern Coastal Plains	5,909	5,525	6,583	183	179	191	102	98	104
<b>Tobacco farms:</b>									
North Carolina Coastal Plain:									
Tobacco	6,099	6,425	5,296	134	136	107	103	101	110
Tobacco-cotton	6,385	6,343	4,960	138	139	107	103	101	109
Kentucky Bluegrass:									
Tobacco-livestock, inner area	9,786	6,756	7,977	136	113	114	96	92	100
Tobacco-dairy, intermediate area	3,448	2,672	3,058	128	110	113	99	99	108
Tobacco-dairy, outer area	6,288	5,352	6,139	139	130	131	97	97	104
<b>Spring wheat farms:</b>									
Northern Plains:									
Wheat-small grain-livestock	7,622	8,263	9,852	129	154	166	94	81	84
Wheat-corn-livestock <sup>2</sup>	8,733	6,273	10,571	126	109	140	100	96	103
Wheat-fallow	9,204	8,166	9,770	184	196	219	102	83	83
<b>Winter wheat farms:</b>									
Southern Plains:									
Wheat	9,086	8,363	9,938	102	105	113	98	78	80
Wheat-grain sorghum	7,024	7,925	12,138	86	99	139	98	85	84
Pacific Northwest:									
Wheat-pea	17,321	14,635	18,268	117	126	135	104	82	86
Wheat-fallow	15,275	13,863	13,982	97	104	101	103	79	79
<b>Cattle ranches:</b>									
Northern Plains	7,385	6,043	7,599	118	120	127	101	88	99
Intermountain regions	10,133	6,829	8,548	104	98	100	95	81	92
Southwest	5,272	1,310	6,146	102	101	112	95	78	94
<b>Sheep ranches:</b>									
Northern Plains	12,961	11,731	14,695	123	106	106	94	99	112
Utah-Nevada	13,261	14,915	18,335	101	100	103	93	99	107
Southwest	5,928	3,752	9,312	97	83	106	91	92	99

<sup>1</sup> Preliminary. <sup>2</sup> Revised.



## Benefits for Both Parties Make Seller-Financing Loans Most Common

Seller-financing continues as the most popular farm real estate loan. Some 38 per cent of new loans were financed by sellers in 1965 with an increasing number of these loans in the form of installment land contracts.

This method of financing has benefits to both seller and buyer. Purchasers can usually become owners without additional land or equity to pledge as security for a mortgage. For the seller, land contracts provide a method of tax reduction and a firmer hold on property in case of default.

In the overall 1965 loan picture, 73 per cent of all farmland purchases involved the use of one or more forms of credit, with the average loan amounting to 72 per cent of the market price—1 percentage point above 1964.

The size of loans ranged from an average of \$47,000 for insurance companies to \$10,000 for commercial banks. Banks financed 18 per cent of all loans; insurance companies, 16 per cent; and other sources, 28 per cent. (2)

## Horsepower Boosted for Tractors As Their Number Drops on Farms

City kids probably know just as much about a horse as farm children, thanks to television.

Old dobbin has left the farm scene for the most part, a victim of modern technology. The number of horses and mules on the farm dropped from the all-time high of 26 million in 1920 to less than 3 million in 1962.

Taking their place is the tractor which jumped from 8,000 units in 1912 to almost 4.7 million in 1962. Maximum belt horsepower available to farmers increased from about 400,000 in 1912 to 162 million in 1962.

The first appreciable concentration of tractors was in the Mid-

west. Here they were used for heavy field operations such as plowing and disking and as stationary power for grain threshers. Tractors became more commonplace in all parts of the country with the development of the row-crop tractor, which could be used for almost all farm operations.

Since World War II, tractors have replaced nearly all horses for light work such as planting, cultivating, mowing and hauling crops from field to barn. Tractors have also spread rapidly through areas such as the Northeast and North Central Regions where farmworkers are scarce.

Until after World War II, the increase in horsepower was largely a result of more tractors on farms. Much of the added horsepower in postwar years came from larger tractors.

The average rating of new tractors increased from about 20 horsepower in 1920 to only 27 in 1940. The size of new tractors has grown rapidly since then; in 1960 the average horsepower rating of new tractors was about 50.

This increase in horsepower is expected to continue. By 1970 it should be around 80. Despite the increase in power, the number of tractors should decrease. Projections indicate that about 100,000 tractors will be sold in 1970, compared with 150,000 units in 1962. This would mean a purchase of about 8 million horsepower in 1970, compared with the 7.5 million in 1962. Total number of tractors on farms would be down from 4.7 million to 3.6 million.

Although the market for farm tractors is expected to decrease in coming years, the sale of industrial tractors is expected to expand. Tractor sales for industrial purposes doubled from about 15,000 tractors in 1940 to 30,000 in the early 1960s and they are still rising. If the industrial market continues to grow, more tractors may be designed for industrial jobs and then adapted for farm use. (3)

## Modern-Day Farming Increases Risks To Operator's Health and Savings

Farming is a hazardous business.

Fatalities as a percentage of farm population have risen in recent years. And the number of nonfatal accidents is among the highest of any groups of workers.

In addition to the high rate of physical injury, the farmer is usually hurt harder than others financially. A recent two-year study (July 1961-June 1963) showed that only 42 per cent of farm workers were covered by hospital insurance and 37 per cent by surgical insurance. The rates for all occupations in the U.S. were 76 per cent for the hospital, 71 per cent for the surgical insurance.

This same two-year period showed the annual nonfatal injury rate per 1,000 persons at 287 for farmers and farm managers and 307 for farm laborers and foremen. These rates compared with an average of 266 injuries per 1,000 workers for all occupations. Nonfatal injuries are defined as involving at least one full day's absence from work or medical attention.

Younger farmers—17 to 44 years of age—had more than twice the rate of nonfatal accidents as did the older group. Automobile accidents were included in the computations.

The actual number of fatal on-farm accidents is decreasing, but so is farm population. Thus, on a percentage basis, farm fatalities are increasing. Deaths per 100,000 farm persons were 18 in 1964, compared with 16 in 1962. Total fatal on-farm accidents were 2,279 in 1964 and 2,246 in 1962.

Leading killer of farmers remains accidents involving machinery. The proportion of machinery accidents increased from 35.3 per cent to 38.6 per cent of all farm accidents between the 1954-59 and 1963-64 periods. Drownings and firearm accidents were next as causes of on-farm fatalities. (4)



## Farm Values Per Acre 8 Per Cent Higher This March 1 Than A Year Ago

Led by sharp advances in the Corn Belt and the Southeast, the national index average value per farm acre climbed to 150 (1957-59=100) as of March 1, 1966. That's an 8 per cent increase above a year earlier.

Translating index numbers into dollars, the value of an acre of farmland on March 1 was \$157, compared with \$146 a year earlier.

Average values per acre by states reflect extremes in type of farming and land quality, ranging from \$28 per acre in Wyoming to \$693 per acre in New Jersey. Corn Belt farms averaged \$306 per acre and ranged from \$162 in Missouri to \$417 per acre in Illinois.

Indiana led all states in farmland value increase with a hike of 15 per cent for the 12-month period, followed by Mississippi, Arkansas and Louisiana all at 14 per cent. Illinois and Iowa climbed 12 per cent.

Most of the increase during the year ended March 1 occurred in the final four months. This was especially true for Indiana, Illinois and Georgia.

Hikes in the Corn Belt States were nearly double the previous annual rates of increase. Principal factors causing this upward movement were the sharp increase in corn yields compared with 1964

and the rapid development of technology which holds promise for still higher yields. The corn yield in Indiana, for instance, averaged 94 bushels—up 31 per cent from 1964 and 25 per cent above the 1959-63 average.

The above-average annual rates of increase in land prices in the Southeast stem from long-term factors. Making their influence felt are improved highways, expansion of industry into formerly rural areas, public work programs and the conversion of substantial acreage of former farmland to commercial timber production.

Total value of land and buildings on all farms on March 1 reached \$171.1 billion, \$11.7 billion above a year earlier. The average value per farm unit was estimated at \$57,100. Per farm values ranged from \$24,100 in the Appalachian Region to \$153,800 in the Pacific Region. (5)

## Growth of Farm Business Depends On Development of Various Resources

An enterprising young Montana wheat farmer begins his business with capital of \$4,000 on a rented farm. Five years later he has a net worth of \$14,500. He also has increased his farm size from 830 to 1,700 acres. Now he is ready to start buying the farm he has been operating.

This young farmer has increased the size of his business

virtually on a shoestring: He rented on a crop-share basis, bought secondhand equipment on credit, custom hired harvesting and hauling jobs and used some credit for living expenses.

A number of conditions are necessary for growth of a farm business like that of the young farmer in Montana.

*Excess managerial capacity.* The operator must be capable and willing to take on the duties of a larger farm business. Most young farmers probably can manage more resources—land, for example—than they generally can get control of.

*Profitable business.* The farming enterprises undertaken must be profitable. Cash receipts must exceed cash expenses. And in the long run, overhead must be covered, too. But this doesn't mean that the operation has to achieve maximum efficiency for growth to take place.

*Minimum starting size.* The farm business must be large enough to support the family. It also must provide some surplus cash for expanding the resources, unless there is a supplementary nonfarm source of income. When the farm business is too small, it will neither fully support the family nor occupy it full time. Consequently, the operator or his wife may have a full-time or part-time job. At the start, many families combine farming and nonfarm jobs.

*Some unused resources.* Firms having opportunity for growth often are those which find themselves with some unused production resources. For example, farmers purchase cattle to consume farm-grown feeds, they purchase calves to pasture crop aftermath or they custom combine grain for another farm.

*Added resources procurable.* Additional resources must be available to or procurable by the firm. The farmer needing additional land must be able to find land for sale or rent. (6)

FARM REAL ESTATE VALUES CONTINUE CLIMB

Date	Total value <sup>1</sup>	Value per farm	Value per acre	
			Dollars	Index 1957-59 = 100
March 1964	150.8	48.0	137	131
November 1964	157.8	49.3	141	137
March 1965	159.4	52.2	146	139
November 1965	165.4	54.3	152	145
March 1966	171.1	57.1	157	150

<sup>1</sup> Land and buildings.



## FARMERS PRODUCED MORE WITH LESS LABOR IN 1965

	Base period or unit	1940	1945	1950	1955	1960	1964	1965 <sup>1</sup>
Farm output	1957-59 = 100	70	81	86	96	106	112	115
Man-hours of farmwork	1957-59 = 100	192	177	142	120	92	79	75
Farm output per man-hour	1957-59 = 100	36	46	61	80	115	142	153
Total farm inputs	1957-59 = 100	97	99	101	102	101	103	103
Crop production per acre	1957-59 = 100	76	82	84	91	109	116	124
Supplied by one farmworker	Persons	10.7	14.6	15.5	19.5	25.9	33.2	37.0
Plant nutrients <sup>2</sup>	1,000 tons	1,178	1,787	2,772	4,507	5,643	8,093	8,474

<sup>1</sup> Preliminary. <sup>2</sup> Nitrogen, available phosphorus and soluble potassium.

## Record Crop Harvest Pushed Volume Of Farm Output to New High in '65

Farmers combined fewer man-hours, fewer acres and more fertilizer to come up with a record volume of farm output in 1965—3 per cent above the previous high in 1963 and 1964. The increased output resulted from a record crop harvest and the second largest livestock production of record.

Crop production in 1965 was 7 per cent above the previous year and 17 per cent larger than the 1957-59 average. Output of livestock and livestock products was 2 per cent less than the 1964 record, but 11 per cent larger than the 1957-59 average.

Crops were harvested from a total of 302 million acres in 1965. This was 1 million more than in 1964, but nearly 40 million less than a decade earlier.

Crop yields in 1965 were 7 per cent above 1964 and 24 per cent greater than the 1957-59 average. Yields of many major crops set new highs in 1965. Among them

were the four feed grains, rice, peanuts, cotton and all hay.

Increased use of fertilizer was partly responsible for these higher yields. Use of the three principal nutrients—nitrogen (N), phosphorus (P) and potassium (K)—increased about 5 per cent in 1965 over 1964. The N-P-K ratio for 1965 was 1-.34-.51, compared with 1-.44-.71 for the 1957-59 base period.

While fertilizer use increased, labor needs dropped. Labor used on U.S. farms in 1965 reached a new low of about 8 billion man-hours. This was 5 per cent less than in 1964. Labor devoted to care of livestock decreased more than for all crops. Sharp drops in labor requirements occurred for cotton because of increased mechanization and for tobacco because of fewer acres and lower yields.

Another factor contributing to the lower labor figure is an increase in farm output per man-hour. This rose almost 8 per cent from 1964 to 1965 or 53 per cent greater than the 1957-59 average. The increase for crops as a whole

was 13 per cent or 2.7 times the gain for livestock. Output per man-hour for feed grains and cotton rose 21 and 16 per cent, respectively, from 1964 to 1965. Since 1957-59, the greatest gain in farm output per man-hour has occurred in the Delta States at 190 per cent.

An estimated 5.6 million persons worked on farms—a drop of half a million from 1964. Each worker, on the average, produced enough food, fiber and other farm products to supply himself and 36 other consumers. This is a greater increase in the farmworker-consumer ratio than for any previous year.

Total volume of inputs in 1965 remained unchanged from the 1964 level and was only 3 per cent greater than the 1957-59 average. In sum, big changes in the kinds of inputs continued: Farm labor decreased 5 per cent; fertilizer and liming materials increased 5 per cent; feed, seed and livestock purchases increased 1 per cent; and miscellaneous inputs increased 3 per cent. (7)



## Use of Production Contracts by Egg Industry Climbs, Especially in South

Cackling in the hen house appears to be on the increase in certain areas of the U.S. due in part to the use of production contracts in the egg industry.

Other factors influence hikes in egg production, but the contracts are increasing hand-in-hand with output, particularly in the South.

For instance, in Alabama between 1959 and 1965 egg production increased by 71 per cent. Egg contracts now account for an estimated 45 per cent of Alabama's entire output. In Arkansas egg production jumped 159 per cent and contracts account for more than 50 per cent of production.

The three basic types of contracts are: quality control, packaging and production.

Under the quality control contract, the producer agrees to follow quality practices such as using a specified kind of layer and having a refrigerated room for storing eggs on the farm. In return the price he receives for his eggs depends on how well he carries out these practices.

In the package contract the producer buys a specific amount of pullets, equipment, housing and other production items from the contractor. Eggs are sold at open market prices by the contractor who in turn pays the producer the rate specified in the contract.

With production contracts the contractor owns the laying birds and furnishes certain items such as feed. The producer generally supplies labor, housing and some of the other inputs. The producer is paid a certain specified amount for his output.

Contracts may offer benefits both to the producer and contractor. With certain contracts, the producer can meet capital requirements with short-term financing geared more directly to his needs. Under quality control contracts, he has a guaranteed market for

eggs; under the other type contracts, the marketing is done by the contractor.

Technology can be introduced in a rather short time because of standardization of practices and the management control of the contractor. Also, the contractor is assured large lots of uniform quality eggs.

One of the major problems is providing for a satisfactory division of returns to the parties involved. In most contracts the division of returns does not change even though the relative value of inputs furnished by the contracting parties may vary.

Another problem is that contracts are generally for one year or one laying period and producers may have borrowed money for the construction of houses and purchased equipment with an obligation to repay over a longer period than one year.

If the use of contracts in egg production is to increase, all parties involved must benefit. The contractor cannot guarantee income stability to the producer forever, but the contracts should cover a period that is long enough to be fair and should have equitable clauses for termination. (8)

## Acreage-Poundage, Marketing Quotas Up Flue-Cured Tobacco Prices in '65

Tobacco growers received higher average prices in 1965 over a year earlier.

Prices ranged from 7.64 cents per pound higher in the Georgia-Florida market to 4.37 cents in the North Carolina Middle Belt markets.

These higher sale prices thus fulfilled a major objective of the new direct acreage-poundage program which restricts the quantity of leaf offered for sale. But with only one year's use of the program, it is too soon to see the full economic effects on tobacco growers.

The restrictions were imposed

because of continued yield increases of tobacco per acre. Under the allotment system which had been in effect for the previous 25 years, farmers could sell all the leaf they grew on their allotted acreage.

The new program, which was accepted by tobacco growers for a three-year period, sets up a quota on the amount of leaf farmers may sell. It lets them grow more than an allotment system would, but they sell less.

Under this quota system, presumably a higher quality of tobacco will be sold—at higher average prices. By growing a little more tobacco, farmers can afford to harvest only the upper leaves which bring a higher price. This higher price would justify the use for tobacco of land diverted from other uses.

Also, plant breeders are shifting their emphasis from the development of high-yielding to high-quality varieties. Mechanized harvesting is also more desirable now since its laborsaving features more than offset its field loss (leaving green leaf in the field).

The new law has flexible features for the growers, too. They may carry forward any part of their marketing quota not used. This carryover amount is limited to their quota for the preceding year. In effect, the growers may go an entire year—but no longer—without growing tobacco.

This may also be considered built-in crop insurance. Growers can recoup some of their losses from bad crop years by carrying the unused quota forward to the following year.

The maximum amount of tobacco that growers may sell during any given marketing year without incurring penalties is 110 per cent of their farm marketing quota, plus any unused quota carried forward from the previous year. The marketing quota for the following year, however, is adjusted downward by the tobacco sold in excess of 100 per cent. (9)



# THE RURAL

# URBAN GAP

*Housing, health and education are three areas in which wide disparities still exist in rural and urban levels of living.*



Rural and urban levels of living aren't quite as far apart as they used to be—thanks to better transportation and communication, widespread rural electrification and the almost universal availability of many of the amenities of life.

But in some areas, the rural/urban gap is still wide. Several recent ERS studies point up the extent of these disparities in the important areas of housing, health and education.

**Housing.** A 1960 survey of U.S. housing showed that while 80 per cent of our urban homes were in sound condition and had full plumbing facilities, only half the rural homes met these criteria.

About 1.5 million rural families were living in housing so dilapidated that it endangered the health, safety and well being of the occupants. Another 3.5 million occupied homes that were deteriorating and in need of major repairs.

About three-fifths of the rural homes did not have central heat; one-third lacked complete bath facilities; and one-fifth did not have water piped into the house.

Within rural America, farm housing was in a slightly worse condition than nonfarm housing. While the farm houses were frequently larger, fewer of them were of recent construction.

Though rural areas in general still lagged behind urban in the adequacy of housing in 1960, the lag was less than before World War II. For example, only 14 per cent of the farm housing in 1960 had more than one person per room, compared with 30 per cent back in 1940. The percentage of rural homes with electricity rose from 31 per cent prewar to almost 100 per cent in 1960; those with piped water increased from 18 to 75 per cent; with private bath facilities and flush toilets from 12 to 62 per cent.

**Health.** Low incomes and high medical costs due to population sparsity are two big factors limit-



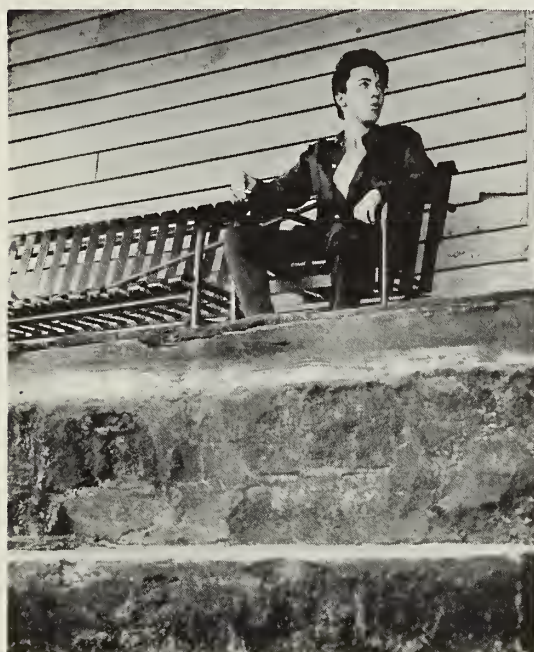
ing the amount and quality of health care available to rural people.

A 1962 survey showed that the most isolated rural counties in the U.S. had only 59 physicians, 27 dentists and 195 nurses per 100,000 people. The average in large metropolitan areas was 205 doctors, 71 dentists and 493 nurses per 100,000 population.

The use that families made of dental care pointed up the sharp differences in rural/urban attitudes and use of medical facilities.

Metropolitan residents between five and 14 years of age visited the dentist more than twice a year, compared with only one visit for farm residents in this age group.

Farmworkers spent only about



\$84 during 1962 on medical care, compared with a U.S. average of \$142. However, farmworkers' out-of-pocket expenses for hospitalized illnesses were higher than average, partly because only four out of every 10 farmworkers were covered by hospital insurance. Nationally, seven out of every 10 U.S. workers had some type of hospital insurance in 1962.

**Education.** During the 1950s, the percentage of farm and rural youth enrolled in school steadily approached the urban level for most age groups. By 1960 rural

enrollment rates were only slightly less than urban rates, except for kindergarten and college.

But though rural America is closing the gap in getting pupils into school, it still has trouble keeping them there. The rural dropout rate for 18- and 19-year-olds was one out of three in 1960, compared with one out of four in urban areas.

Partly because of the high rural dropout rate, the differences in urban/farm educational attainment widened during the '50s. For example, in 1960 farm residents 25 years or older had completed an average of 8.8 years of school, a gain since 1950 of only 0.4 year. The urban adult population in the same age group had completed an average of 11.1 years of school in 1960, almost a full year more than in 1950. (10)

### Literary Chuck Wagons Hit Trails, Bringing Books to Rural America

More and more rural Americans today are traveling to the far corners of the world, climbing Mount Everest, probing the Pacific. Not always in actuality, of course, but through books.

Some 38 million rural people have been brought into closer touch with the world beyond their horizons through the Federal Library Services Act of 1956.

At the time this legislation was passed 27 million Americans, 90 per cent of them rural, had no local public libraries. Another 53 million people, again mostly rural, had only inadequate public library services.

By mid-1964, federal, state and local governments had spent a total of \$165 million under the act to extend or improve rural library services. More than 370 bookmobiles were running on regularly scheduled routes in the countryside; over 12 million books, magazines and other informational materials had been purchased for rural readers.

In addition, many rural communities were also assisted in getting discussion leaders, outside speakers, films, records, special exhibits and materials for service, garden, homemakers' and hobby clubs.

In 1964 the act was amended to provide federal aid for the construction of public library buildings and to include urban areas in the grant programs. (11)

### Number of Family Farmworkers in U.S. Drops 46 Per Cent Between 1950-65

During the decade and a half since 1950, the average number of all farmworkers has dropped from approximately 10 million to 5.6 million, where the number stood in 1965—a decrease of almost 45 per cent. Though farm operators and unpaid family workers still comprised almost three-fourths of last year's total farm employment, their ranks have been thinned far faster than those of hired farmworkers.

Between 1950-65, the number of family farmworkers decreased about 46 per cent nationally, compared with a 36 per cent drop in numbers of hired farmworkers. The sharpest declines in family employment occurred in the three southern regions where the mechanization of cotton production and the rapid disappearance of large numbers of small cropper farms greatly reduced farm labor, particularly family labor.

Family farm employment dropped 63 per cent in the Delta States, 58 per cent in the Southeast in 1950-65. Hired farm employment dropped only 34 and 19 per cent, respectively.

The early development of highly commercial farming in the north central areas and the increase in labor intensive crops in the West contributed to more moderate decreases in farm employment during 1950-65. Total farm employment in the Pacific Region was down only 28 per cent. (12)



This is ERS...

*This is the fifth in a series of articles on the seven divisions that make up the Economic Research Service. The series highlights the research studies and findings that help to answer the perennial ifs in American agriculture.*

## ECONOMIC DEVELOPMENT

Nestled close to the Catskill Mountains is a four-county rural area in southeastern New York State that should be prosperous, but it isn't. Recreation is underdeveloped, but has high potential. Dairying and poultry production are important farm enterprises. Nonfarm employment is chiefly in light industry and services of various kinds. While total population in the area has increased since 1950, the farm sector has been declining. Median income in the four counties, while up from 1949, is below the level of the state and the nation as a whole.

The Economic Development Division (EDD) recently completed an analysis of these four New York counties. The results are being used to assist the Farmers Home Administration, which is conducting an improvement project in the area. The analysis provided facts about population, income, employment, social services and other factors which would help the residents to help themselves.

It was found that a better highway system is needed in order to adequately promote recreational enterprises and to provide more efficient commuting to nonfarm jobs. Much of the housing in the area is used only seasonally. It is felt that encouragement should be given to making year-round use of these housing units. Population trends indicate that many new housing units will be needed; many existing houses are in need of substantial repair.

It was found that drinking water supply and sewage disposal

systems are inadequate. Water pollution is a threat. Medical personnel and facilities in the area compare favorably with the rest of the state at the present time.



HUMAN RESOURCES

With a continued increase in population, expansion would be required. A look ahead would indicate planning for it now.

The study showed a need for

training of the people who are leaving agriculture and seeking nonfarm employment. While the overall educational indices in the area are favorable, the residents wanting employment in recreation enterprises, nearby factories, and the service industries don't have the necessary skills to compete for available jobs.

This analysis in four New York counties is an example of research service provided by the Economic Development Division for "action programs." The Division carries out economic and social analyses to help find ways of bringing rural America into the mainstream of our prosperous national economy.

To the west and south of the Mid-Hudson area are the 370 counties of Appalachia. The counties are typically combined into areas containing six or seven counties which serve as the focus for development planning.

Appalachia as a region contains many isolated mountain hamlets, dirt roads and patches of poor farmland. It's a region of some 24 million people, many of whom have been bypassed in the nation's onrush of prosperity.

For this reason Appalachia is a prime target in the nation's war on poverty. But there are other equally important targets—the Ozarks, the Mississippi Delta, the Southeastern Coastal Plain, to name just a few.

As in any war, strategists in the war on poverty must first know what they're fighting.

Who are the rural poor? How many are there? Does the average family have two children or



seven? Where are they located, on farms or in small communities? Why do some people stay in poverty and others escape from it?

What are their ethnic origins that might bear on the kind of work they want or do well? What are their age limitations and physical handicaps, if any? What skills do they already have as carpenters, mechanics or storekeepers that could be put to better use? What extra training do they need to qualify for higher paying jobs?

Such questions need answers before public programs can be made fully effective. What is required is a composite "picture" of the rural poor, their needs, aspirations and prospects.

Compiling this picture is the responsibility of ERS's Economic Development Division.

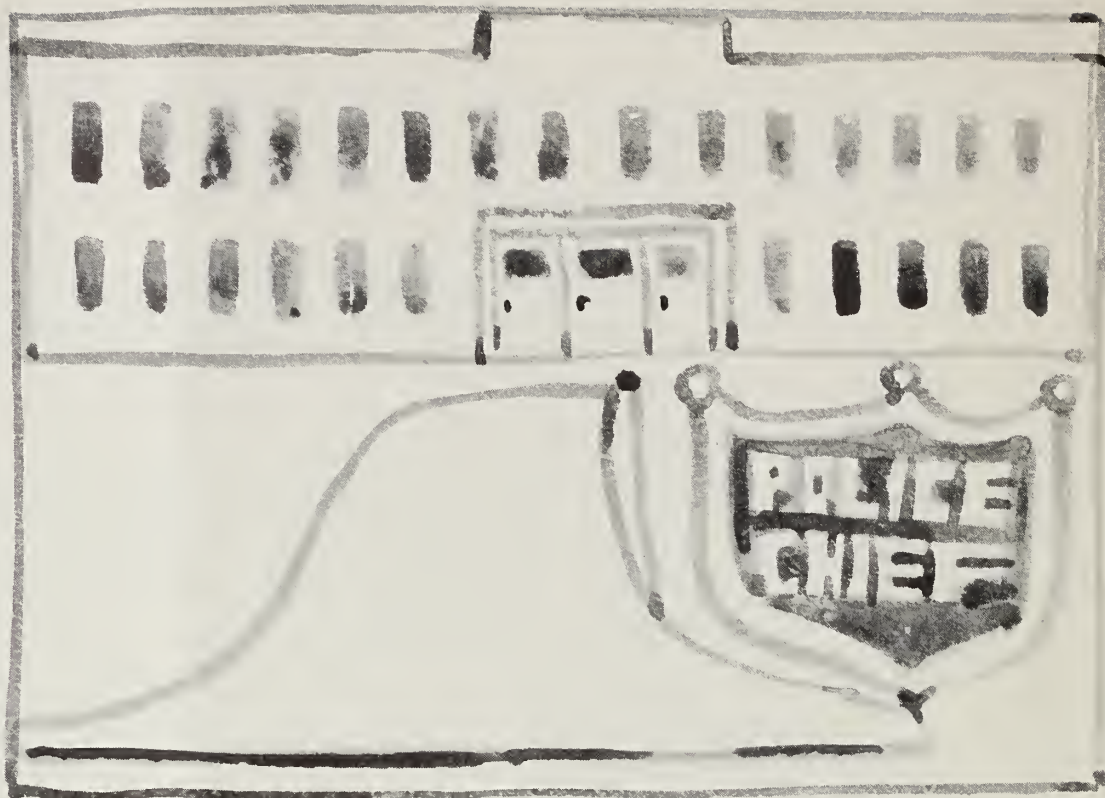
EDD specialists first devise a questionnaire that covers the significant questions. Interviewers will then take the questionnaires personally to the people concerned—families that represent a sample of those living in the major depressed rural areas.

The Division will next tally and evaluate the answers to questions returned by each of these hundreds of families. And the picture of rural poverty will begin to emerge.

But people are only one part of the equation for success. Another part is the community in which they live.

What services do local government and private groups now provide to help the poor get better jobs or train for better jobs? What added services could the community finance on its own? What services need federal assistance?

EDD is asking local governments to answer these and similar questions. Once these answers are in, researchers can pair needs of people with the community's potential for helping them. Where local need exceeds local potential, federal war-on-poverty funds may be earmarked to fill the gap.



COMMUNITY FACILITIES

The Mid-Hudson and Appalachia projects are representative of the work of the Economic Development Division, which has three broad areas of research responsibility:

*Human Resources.* People are now leaving farms in expectation of a better life in the city at the rate of nearly a million a year.

Who are these people? Young or old? White or nonwhite? Well or poorly educated? And do they really earn a higher income and live better in the city? Answers to such questions are required to plan assistance programs that will be of most help to such people. EDD studies, based on nationwide surveys of the actual people concerned, provide many of the answers.

For example, one study confirmed the assumption that farm-born migrants to the city tend to take lower skilled jobs than people born and reared in the urban complex. But the unemployment rate of the migrants isn't any higher than that of their city-bred neighbors.

It's been generally assumed that the farm population is fast becoming a population of the elderly.

The facts show otherwise. According to an intensive EDD survey, just under 10 per cent of all farm people are over 64. Just under 10 per cent of all people in urban areas are likewise over 64.

Social statisticians working in this area of human resources also study the living conditions of farm residents and their education as it affects their earning power.

They are concerned, too, with the lot of migrant farmworkers, the pickers of lettuce and tomatoes and apples who work by the hour and move north from harvest to harvest. One such study showed that some of the Spanish-Americans from the Southwest who move into Michigan each summer set up permanent homes there, but most go back where they came from. However, those who stayed in Michigan ended up with twice the annual income of those who continued to move back and forth.

*Community Facilities.* The schools, libraries, volunteer fire houses and other public facilities springing up all over rural America cost money. And much of the money has to come from farm real



estate taxes which have tripled since World-War II.

EDD research explores ways in which local governments can pool resources to provide better public services, or completely new services, at the least possible cost. Hopefully, this in turn will help to keep taxes in check.

One study examined the legal and practical aspects of intergovernment cooperation in five states. Out of this research came the recommendation that a central clearing house on local government be set up in each state. Here a local official with a problem could find out how other jurisdictions are meeting similar problems. The center would also have management and legal advisors to assist local officials.

Community facilities research

also deals with the extra public services needed when a new industry moves into a small town. Will the taxes generated by the industry itself and by the new jobs it creates offset the added expenses of more schoolrooms, more fire and police protection and related services?

*Area Analysis.* Poverty in rural America doesn't exist in a vacuum. Its economic effects reach out to Detroit in the cars that aren't bought, to California in the oranges the poor can't afford, and similarly, to nearly every consumer industry and service in the country.

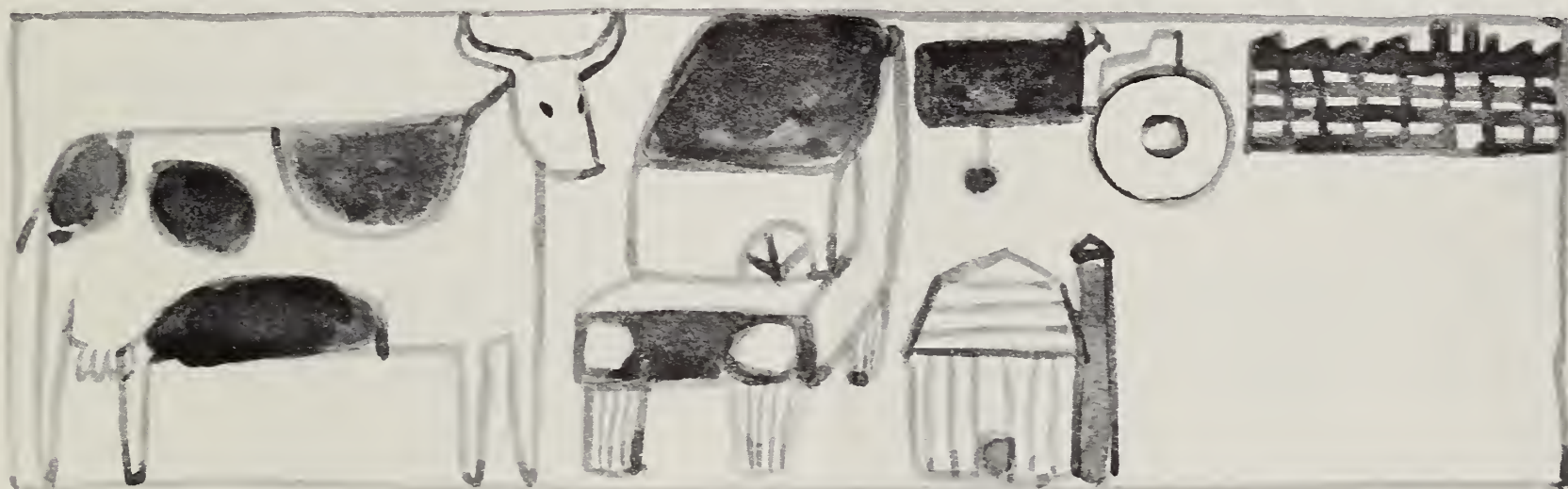
This interaction between the rural and urban economy is EDD's third major research area.

Here's a typical problem: In Appalachia, does basic industry—

glass manufacture, textiles, food processing—generate more jobs and income than service industry, such things as motels, restaurants and theaters?

Somewhat surprisingly, EDD found the answer to be no. Specialists who analyzed employment figures for 1950-60 concluded that more jobs and larger incomes are generated by service industries. What is happening, they suggest, is that people with good jobs and mounting incomes in periphery cities like Pittsburgh and Atlanta are spending part of the extra money on recreation and travel in the rural areas of Appalachia.

What can one new plant in a small rural town mean to the economy? Division economists picked Mumfordsville, Ky., to study after a new bedding manufacturer's



AREA ANALYSIS

first full year of operation there.

Result? The plant provided 111 new jobs in town, another seven elsewhere in the county and 132 outside the county. Most of the jobs are for unskilled women. Unemployment compensation in Mumfordsville has fallen off markedly.

What's the outlook for jobs in agriculture in the Missouri Ozarks by 1975? Not good, according to another EDD analysis. Back in 1959 over 24,000 farmers earned more than \$4,000 net. By 1975 the number will be down to about 14,000.

What about turning farms into

recreation sites? Economists studied the potential in Ohio and Indiana by surveying city people who used existing sites. They found that people participate in swimming and picnicking most. They discovered, too, that families with \$6,000 income spend all or part of only 38 days a year on outings in the country; those with income of \$12,000 spend 58 days. Such facts on recreation users help the prospective developer evaluate the potential users of his facility, how long they might use it each year and where they would come from.

In conclusion, ERS's Economic Development Division studies the

economics of rural life as it affects human beings. Its concern is the welfare of people caught in an economic backwash. More important, EDD does the research that helps officials decide how we as a nation can go about reversing the trend of poverty.

A big job remains to be done in the 11-state region called Appalachia and in similar regions where poverty is prevalent.

Economic development is the key to financial—and social—progress. Helping to determine how the key should be made is the job of economic development research. (13)



## BOOM TIMES FOR THE BLUE PLATE

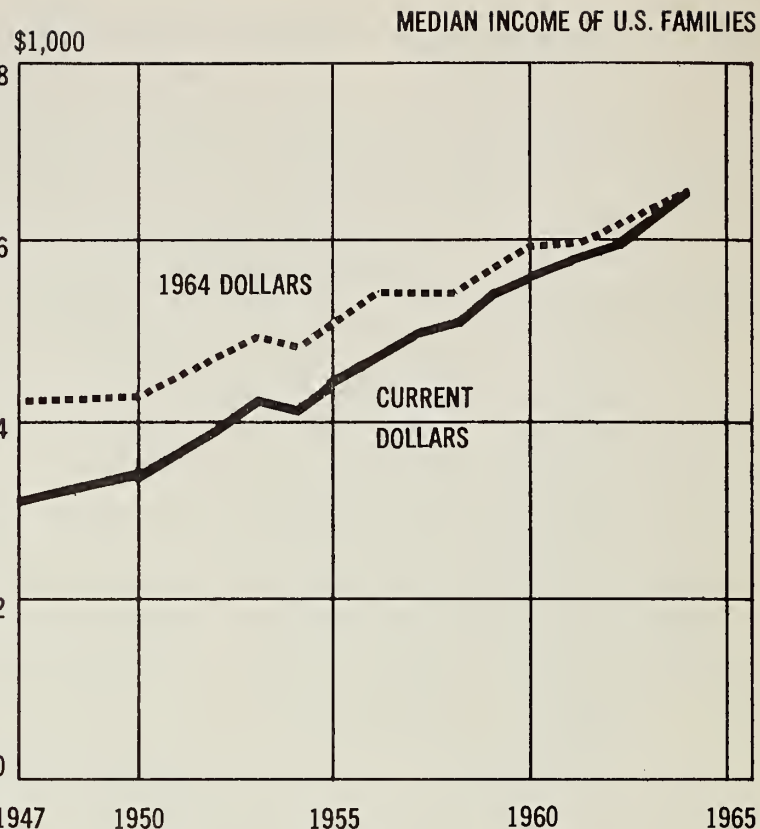
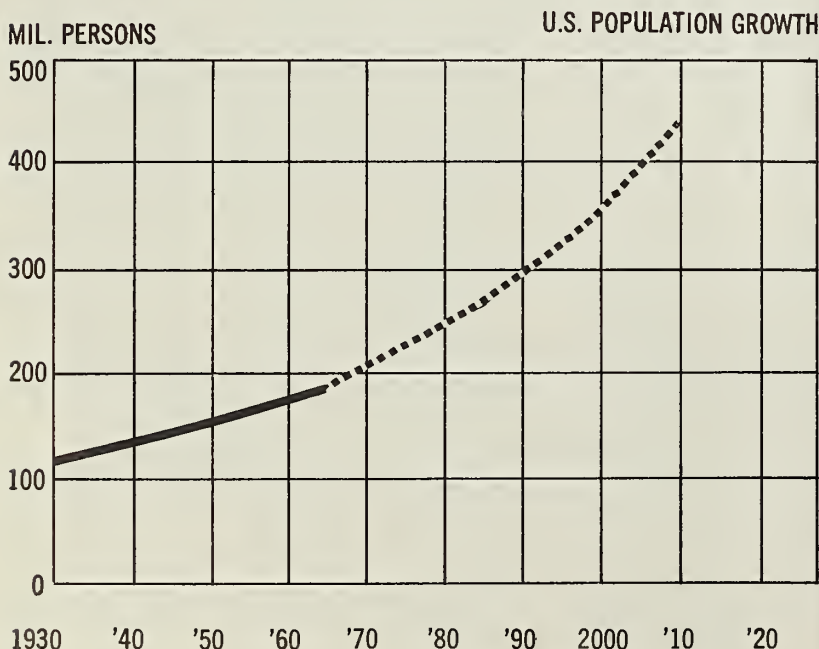
*Richer families, working wives, more independent youngsters and oldsters, all may find eating out a simple way to solve the daily food problem in the near future*

Hot dogs at the ball park, two-inch steaks on restaurant row, soup and sandwich in the company cafeteria—the blue plate special in all its guise may well add up to a \$35 billion market by the time 1975 rolls around. Today we spend about \$20 billion a year on meals in restaurants, lunch counters and the like. The 10-year increase, thus, would represent a 75 per cent increase in sales.

The indications are that such a sales figure is not only possible but likely conservative. Prosperity is the key to such growth, but other changes in the national profile are helping to take the away-from-home meal out of the “once in a blue moon” category, making it as commonplace as a working wife or hot lunches for school children.

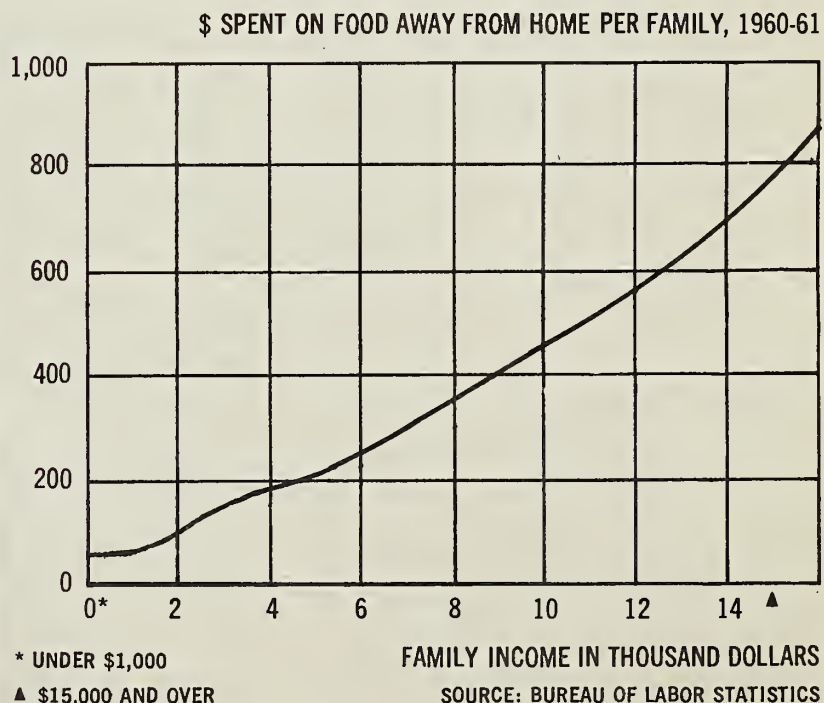
As for the future, longer vacations and more leisure in general should add further reasons for eating away from home. More older people in the population—with neither the need nor the desire to cook for themselves; more college students—

**MORE CUSTOMERS FOR THE MARKET:** Barring some drastic change in our way of life, in the current trends in our eating habits, time itself is on the side of a larger market for the away-from-home food services. Our growing population means there will be more Americans to line the lunch counters, fill the booths and carry a tray through tomorrow's cafeterias. With nearly 200 million persons today, the United States should more than double its size by the turn of the century.

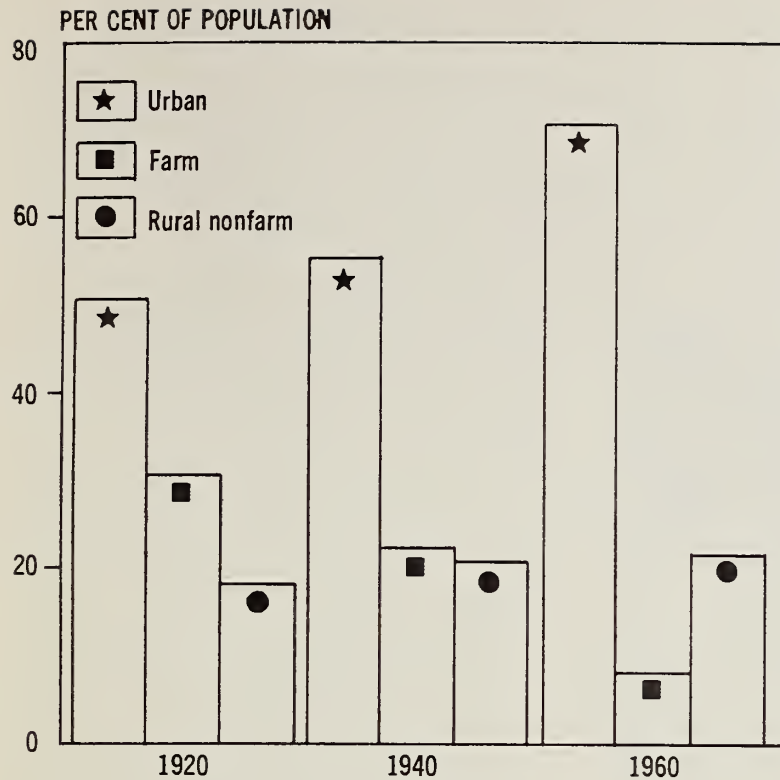


**MORE MONEY TO SPEND:** Family incomes in the U.S. have doubled in little more than a decade. In 1950, the median income was \$3,300; in 1964, \$6,600. Though less spectacular, in constant dollars it was still an increase of about two-thirds in median income. Projections for a full-employment economy suggest incomes will rise by more dollars per person in the next decade than they have in the past 10 years.

**MORE FAMILIES TO DINE OUT:** With an income of around \$5,000 a year, the typical American family spends \$200 or so a year on food it eats away from home. But an upper income family with three times the money spends over four times the amount on food away from home—nearly \$900 a year when the family income hits \$15,000. To put it another way, the more money the family has, the greater the amount spent on food and the bigger the share of food money spent on eating out.

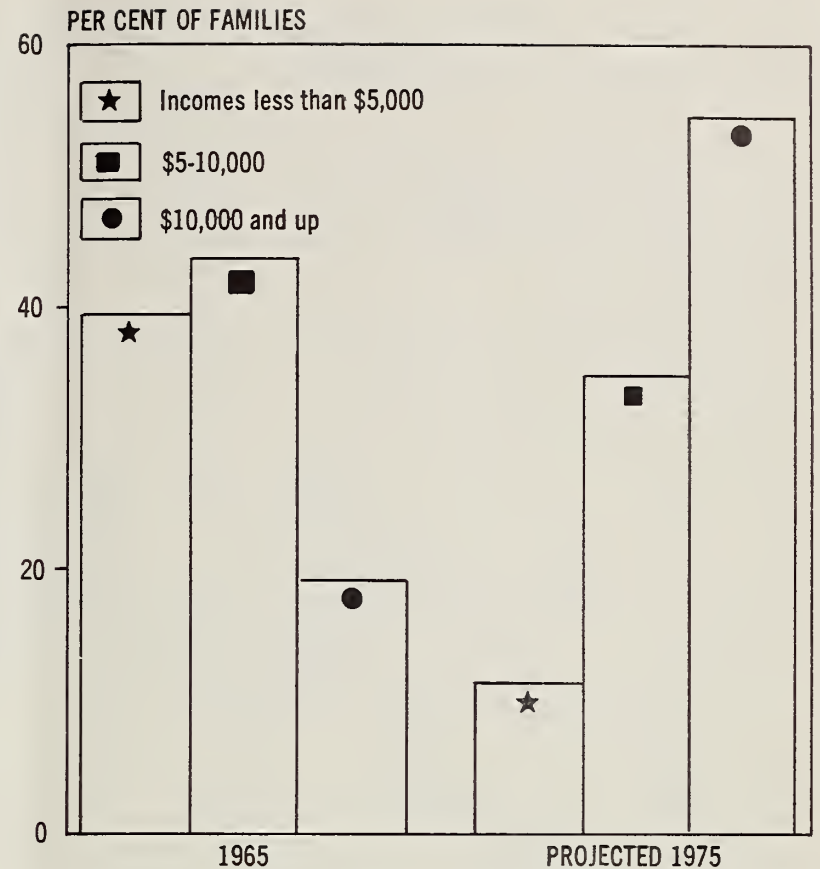
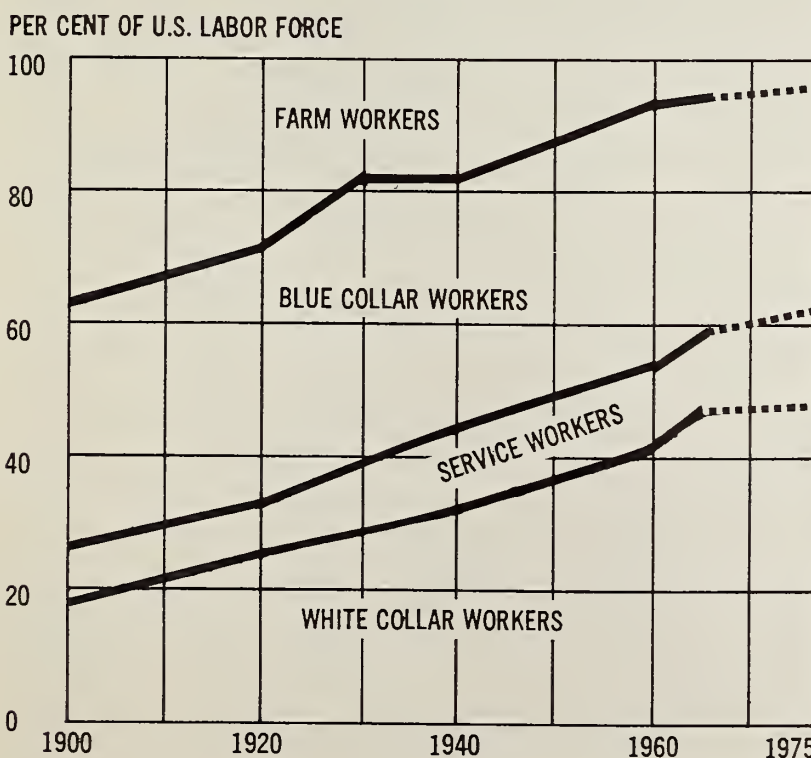






**THE URBAN EATERS:** Rural people traditionally produce a good part of their own food supply, eat much of what they do buy at home. City families, at \$272 a year, spend twice as much as farm families on food away from home, two-thirds more than rural nonfarm families, according to a 1950-61 survey. We are increasingly a nation of city dwellers. And the ways of city living—including the habit of eating out—are spreading more and more to the rural community.

**THE WAY OF THE WORKERS:** The kind of work we do shows up in the kind of food we eat and where we eat it. Fewer laborers means relatively fewer lunch pails, more meals in the cafeteria. White collar workers, only a sixth of the labor force at the turn of the century, may well account for almost half in 1975. They are taking over from the blue collar worker and the farm hand as the dominant element in the total labor force.



**AND THE WAY OF THE RICH:** With 30 million families expected in the upper brackets by 1975, the total spent on food away from home may well hit the \$35 billion mark. The figure makes allowance for increased numbers of top-income families (\$20,000 and up), and the changes in where we live, the kind of work we do and more leisure for recreation and travel.

with no place to cook and little time for cooking; and more teenagers at the hamburger stand—all together they will help keep restaurants and snack shops full. The \$35 billion market in 1975 is a projection—not a forecast. It will turn out to be accurate only if the assumptions that went into it hold true.

First on the list of requisites for continued growth is the national economy itself. Anything that slows down the nation's economic growth rate will put the brakes on away-from-home eating.

The price of restaurant service is next in importance. Most Americans have enough money to eat well. The choice is not *how much* food to buy but *what kind* and with *what services* added. Eating out offers a package of services—for the wife an escape from the kitchen, for the entire family a form of recreation.

But the cost of eating out has risen faster than all items on the consumer price index—the “cost of living” measure—and far faster than the rise in prices at the grocery store.

The effect of price on the demand for restaurant meals is an unknown in today's research. But higher prices can't help but make the service less attractive to potential customers. (14)



## Pace Quickens in Miller Competition As Rail Rates Give an Edge to Wheat

Gone for good, it seems, are the days when a miller knew for sure what his transportation would cost him.

Transportation for flour, yes. Railroads haul most of the flour—and at the same rate for all.

The problem is with wheat. The miller no longer knows what the competition is paying to ship wheat. As a result, millers shipping their flour into a market from varying distances find the competitive situation that much more complicated.

The cost of transportation has, in large part, joined such items as material, labor and capital as a variable in the total cost of doing business. The more aggressive shipper or the one in the strongest bargaining position will gain; the weaker one may lose out.

The situation results from the competition being given railroads by the largely unregulated truckers and barges. These carriers can haul wheat and other manufactured farm products for any rate they and the shipper set.

For the shipper, it can mean lower costs for transportation. But it means shippers as well as carriers face increasing uncertainty in the business of getting farm products to the market.

Take one set of examples: Houston's receipts of wheat in 1964-65 were almost five times the volume of 1956-57, with trucks sharing the volume equally now with rails. While New Orleans, too, stepped up its receipts for the period, barges have far outdistanced rails in growth, delivering about three-fourths of the receipts in 1964-65.

Or take another set of changes. Between 1959 and 1963, barge shipments of wheat flour from Kansas City dwindled to nothing. Meanwhile, St. Louis tripled its barge shipments, which amounted to 65,000 short tons in 1963.

The same unpredictable changes are taking place at the other end of the line. The town of Carrabelle, Fla., for example, is today a barge boom town. Wheat flour, shipped in by barge, is transferred at Carrabelle to trucks for final delivery. The low-cost barges, combined with truck delivery, are giving the rails stiff competition, despite the relatively slow schedules. So successful, in fact, has the combined service been that in 1963 receipts amounted to 37,000 short tons. Barge receipts were nonexistent at Carrabelle only four years earlier.

What are the railroads doing about it? Among other moves, they have lowered some of their rates. In 1957 the freight rate for wheat shipped from Enid, Okla., to Houston, Tex., was dropped from 67.5 to 50 cents per hundredweight. In 1962 it was cut to 44.5 cents. It dropped again in 1964 to 40 cents.

By and large, the lower rates have yet to reverse the trend away from rails to trucks and barges. They have only managed to retain whatever share of traffic the rails were left with.

Lower rates also reflect, in part, the presence of larger equipment capable of handling bigger shipments at lower costs per hundredweight. The same is true of all the carriers. Rails now have more automated equipment, trucks roll along turnpikes and barges sail through deeper channels, wider locks.

But the lower rates are more the result of competition than improvements.

In the Northwest, for example, mileages for truck routes from points in Montana to Portland have been slashed by new road construction to the point that mileage for some of the competing rail lines exceeds them by as much as 42 per cent. As the truckers' costs have declined, rail rates have been adjusted downward, now reflecting costs for new highway distances, rather than costs

for rail mileages.

If the rate story sounds like an un-mixed blessing for shippers, it isn't. Currently, it costs a miller in Kansas City, Kans., 93 cents per hundredweight to ship flour by rail to Macon, Ga. Proposals call for a drop of about 29 cents. Even so, it would still be about 16 cents higher than the rails' wheat rates using "Big John" cars for shipments beyond St. Louis.

Midwestern millers, understandably, are less than happy about the trend and the disparity between rates for flour and wheat.

With the rates moving down for wheat, but not for flour, it is relatively more attractive to ship wheat to mills near the urban centers and mill it there than it is to ship the flour. (15)

## Smokes for GIs in Vietnam Increase U.S. Tobacco Consumption in 1966

With more cigarettes following the troops to Vietnam, American smokers consumed an estimated 534 billion cigarettes in the 12 months ending June 30 of this year. The figure was 2 billion more than in 1964-65.

The 1965-66 shipments of cigarettes for use by overseas forces were the largest since 1952. The increase accounted for the gain in total consumption.

Six major cigarette manufacturers marked the fiscal year by raising prices at the retail counter. In turn, the higher manufacturer prices resulted in an additional 5 or 6 cents on the carton, generally 1 cent per pack for single pack sales, and 1/2 to 1 cent per pack on two-pack sales.

Now that Oregon has enacted a tax of 4 cents per pack, North Carolina is the only state without a cigarette levy.

Though total consumption was up for the year, exports declined by 7 per cent for the period July 1965 to June 1966, compared with the previous year. (16)



### Rise in the Ranks

A sharp increase in the number of countries growing cotton—and a big jump in the volume of cotton being grown—are two factors in the postwar decline of the U.S. share of the world cotton trade.

Back in 1947 only 16 foreign countries in the free world produced 100,000 or more bales of cotton annually, compared with 25 today. Some of these countries, net importers in 1947, now are self-sufficient in cotton; a few have become net exporters.

The ranks of the really big cotton exporters—the nations that export 100,000 or more bales each year—have swelled from 12 in 1947 to 20 in 1964.

No. 1 exporter, of course, is still the United States with average annual shipments of 5.7 million bales during 1959-63. However, our 1959-63 average was only 400,000 bales above our average annual export total in 1934-38, an increase of less than 8 per cent during the period.

Mexican cotton exports, on the other hand, rose almost 1,500 per cent during the same period. And Mexico now ranks No. 2 among world exporters, with average annual shipments totaling 1.5 million bales during 1959-63.

Here's a list of our 19 major competitors in the free world.

Country	1,000 bales exported in—	
	1947	1963
Mexico	359	1,426
UAR (Egypt)	1,578	1,372
Brazil	1,049	1,023
Sudan	255	720
Pakistan	875	689
East Africa	235	520
Peru	263	510
India	704	231
W. Equat. Africa	127	216
Mozambique	130	115
Congo	200	101*
(Leopoldville)		

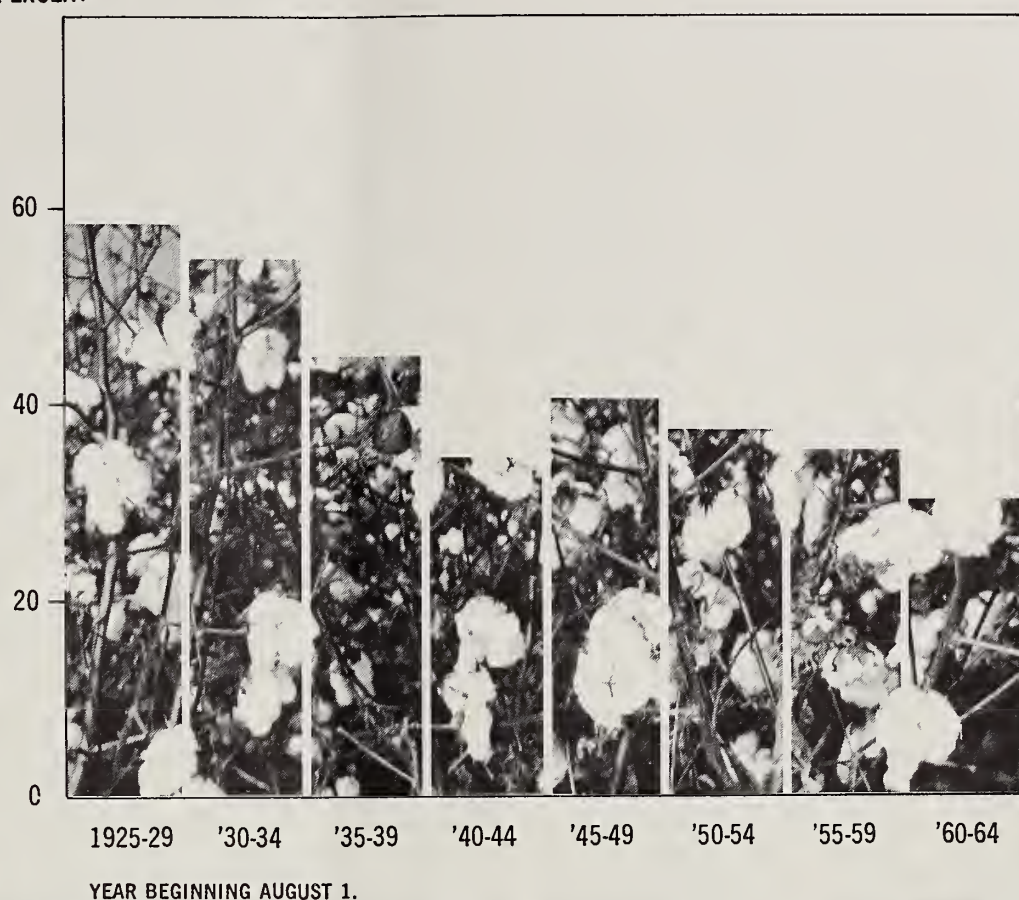
\*1959-63 average

The newcomers to the ranks of major free world exporters are:

Country	1,000 bales exported in—	
	1947	1963
Syria	1	608
Turkey	5	587
Nicaragua	0	402
Iran	6	326
El Salvador	10	304
Greece	0	263
Nigeria	29	145
Argentina	0	100
		(17)

### U.S. SHARE OF WORLD COTTON EXPORTS SHRINKS

PERCENT



### Competitive Pricing One Remedy for Sagging U.S. Cotton Sales Abroad

Back in 1930, one out of every two bales of cotton moving in world trade was produced in the United States. Today only one bale in every four is grown here.

It's not that we aren't producing enough cotton to export. On the contrary, in most recent years, our exportable supplies have been large.

Between 1959 and 1963 our average annual cotton production was about 14.7 million bales, our domestic consumption only about 8.7 million bales. This left us with 6 million bales available for export—about 40 per cent of our annual average production. But our actual exports averaged only 5.7 million bales and the 300,000 bales left over each year had to be added to CCC inventories.

By the close of the 1963 marketing year, total domestic stocks were close to 11.2 million bales—

and they've been rising ever since. In the 1965/66 year, with exports estimated at only 3.1 million bales, carryover stocks apparently reached a new record of around 16.7 million bales, compared with the high in 1956 of 14.5 million.

Last year, however, Congress passed legislation which hopefully will help us correct our problem of sagging exports and soaring stocks. Under the Food and Agriculture Act of 1965, our cotton export price is now attuned to free world supply and demand—which should help stimulate our exports in the 1966/67 marketing year and after.

A recent study by ERS economists showed that in a particular year the price of U.S. cotton relative to the price of foreign cotton is one of the most important determinants of our share of the world cotton trade.

Prices for U.S. cotton in Liverpool markets have been running about 4 per cent higher than prices for comparable foreign cot-



ton since 1951. However, few foreign buyers shifted from U.S. to other cotton in years when the price differential was less than 2 or 3 per cent.

During the 1955/56 and 1958/59 fiscal years, though, prices for U.S. cotton were more than 10 per cent above prices for comparable Mexican cotton, our strongest competitor. During those years there was a large shift to Mexican and other foreign cotton and our commercial exports dropped sharply. On the other hand, when U.S. prices were closely competitive or below prices for competitive cotton, our exports climbed.

Using statistical methods, the ERS economists showed that during the 1948-63 period a 1 per cent decline in the ratio of U.S. to Mexican cotton prices in Liverpool was associated with an increase of 225,000 bales in our commercial exports. On the other hand, a rise of 1 per cent in the price ratio was associated with a drop of 225,000 bales in our exports as foreign buyers purchased less U.S. cotton and more Mexican and other foreign cotton. (18)

## EEC Uses Grain Imports in Order To Gain Self-Sufficiency in Meats

As the Italians eat more chicken cacciatore and the West Germans more wurst, EEC poultry and livestock are getting fattened on more feed grains.

Rising prosperity in the six member countries of the European Economic Community (EEC) has led to sharp gains in meat consumption.

In 1956—one year before the EEC was officially established—the total meat consumption of the six countries was 7.7 million metric tons. By 1962 it stood at 10.0 million metric tons, an increase of almost 30 per cent. Per capita consumption during the period was up more than 21 per cent—from 104 to 126 kilograms.

A new study by ERS economists

assesses the impact of this heightened demand for meat on the six countries' livestock and grain-forage production between 1951 and 1963.

Big gains in domestic meat output helped to keep supply and demand fairly well balanced. Total meat production rose almost 60 per cent between 1956 and 1962, from 5.3 to 8.5 million metric tons. In 1962 the Community was 96 per cent self-sufficient in total meats and relatively small imports were needed.

But throughout the 1950s, the six countries' annual grain deficit ran between 9.5 and 10.5 million metric tons, necessitating heavy imports. Though grain output rose about 15 per cent during the study period, consumption was up nearly as much due to sharp gains in the number of grain-consuming animal units and rates of feeding.

Between 1956 and 1962, the number of grain-consuming animal units rose from 87 to 102 million—an increase of more than 17 per cent. The fastest increases occurred in France and West Germany. By 1962 these two countries had fully two-thirds of all grain-consuming animal units within the EEC.

Higher rates of feeding also boosted the demand for feed grains. In France and Germany the increases were steady but moderate, about 6 per cent between 1956 and 1962. Italy had the greatest rise in feeding rates, up from one-fifth of a ton per animal unit to one-third of a ton. However, the heaviest rates of feeding occurred in the Netherlands, Belgium and Luxembourg.

This combination of increases in the rates of feeding and the number of grain-consuming animal units led to sharp increases in the total amount of grain used by the Community. In 1956 the six nations used a total of 55 million metric tons of grain, compared with over 65 million in 1965.

Also, the proportion of grain being used for livestock feed as

opposed to human food swelled significantly. In 1956 about 47 per cent of all grain was consumed as feed for livestock, compared with 43 per cent for human food and 10 per cent for seed and industrial uses. Currently, the Community uses about 55 per cent for livestock feed, only 35 per cent for human food and 10 per cent for other uses.

Forage output was the base upon which a large part of the production of livestock and poultry took place during the '50s. Forage production increased during the decade—reflecting both higher yields in most countries and more planted acreage.

The number of forage-consuming animal units increased from slightly over 47 million in 1952 to nearly 52 million in 1962—a rise of more than 9 per cent. Forage consumption per animal unit went up sharply in France, West Germany and Italy during this period. The increases were 30, 27 and 34 per cent, respectively. There were slight declines of 3 per cent in the Netherlands and 4 per cent in Belgium-Luxembourg. (19)

## U.S. Farm Exports to EEC Up Faster Than Total Farm Exports in 1962-65

U.S. agricultural exports to the European Economic Community (EEC) increased 28 per cent between 1962 and 1965—4 per cent more than the rise in total U.S. farm exports during the period.

The EEC has become an increasingly important customer for U.S. farm products. In 1962 EEC countries received 23 per cent of total U.S. exports; in 1965 they took 24 per cent.

The total value of U.S. exports subject to variable import levies against nonmember countries dropped 6 per cent between 1962 and 1963—but then increased yearly through 1965. Overall, our exports of variable levy commodities to the EEC rose 33 per cent between 1962 and 1965—pri-



marily because of sharp gains in our feed grain and wheat sales associated with rising standards of living and poor grain crop conditions in some years. In value, our exports of these two commodities to the Community increased from \$385 million in 1964 to \$539 million in 1965.

The Netherlands ranks as our top customer in the EEC for feed grains and wheat. While the value of our feed grain exports dipped in 1963, the 1965 value was up again to \$165.6 million—an increase of 42 per cent since 1963. U.S. wheat exports to the Netherlands have risen in value about 4 per cent since 1962.

The dollar value of other U.S. exports subject to variable levies has not shown such a dramatic increase as feed grains. The value of our beef, veal and cattle exports to the Six rose from \$64,000 in 1962 to \$2.6 million in 1965. But U.S. sales of rice, rye, wheat flour, lard, poultry (except turkeys), and eggs have dropped.

U.S. commodity exports not subject to variable levies—soybeans, oilcake and meal, tobacco, fruits, vegetables and cotton—rose from \$667.9 million in 1962 to \$834.5 million in 1965. Soybeans accounted for the largest share of nonvariable levy commodities. Soybean exports rose in value 39 per cent, oilcake and meal exports 141 per cent between 1962 and 1965. However, our cotton exports dipped 34 per cent. (20)

## Far East Imports to Food at Record Levels During First Half of 1966

Crop prospects in the Far East and Oceania (Australia and New Zealand) as of mid-1966 appear no better than last year and probably slightly below normal.

The most notable feature of the first half of this year was the record volume of food imports into East and South Asia combined with a decline in food exports from some of the few countries which normally produce surpluses.

Here are some highlights of the crop and food prospects at midyear in a few key countries:

*India.* The monsoon situation this July appeared considerably more favorable than last year when the country was stricken by widespread drought and crop output was down sharply. Hopes are that this year's harvests will be back to normal if the better weather holds.

Nevertheless, India's food grain imports are expected to set a new record this year, about 11 million tons, compared with the previous record of 7 million tons in 1965. Grain imports from the United States alone (mostly on a concessional basis) probably will rise to 9 or 10 million tons by the year's end.

*Japan.* Industrial and prosperous Japan normally imports only about one-fifth of its total food

supply. Midyear prospects point to smaller wheat and barley crops in 1966 and beef cattle numbers are down. On the other hand, consumer demand is up and consequently, food and other agricultural imports are running at record levels.

Japanese imports from the U.S. during the first four months of 1966 were up 17 per cent from the same period a year ago. Most of the increased trade so far has consisted of larger imports of U.S. milo, wheat bran, tobacco, cattle hides and skins, soybeans and poultry products.

*South Vietnam.* The war continued to curtail farm production. Rice output in 1966 is expected to be down for the third year in a row. Vietnam, two years ago a substantial net rice exporter, is now importing rice at record levels.

*Mainland China.* At midyear crop prospects apparently were no better than in 1965 because of a persisting drought in the North China Plain. Mainland China has shifted in the past few years from a net grain exporter to become the world's largest cash market for food grains.

*Australia.* Last year's drought continued into 1966 and prospects this July were for total farm production to be below the average of recent years. Australia's export availabilities—especially of wheat, wool, meat and dairy products — are down substantially. (21)

## Foreign Spotlight

GENERAL AGREEMENT ON TARIFFS AND TRADE. The consensus among officials in Geneva is that the Kennedy Round tariff negotiations will be completed before the U.S. Trade Expansion Act, Congress' authorization for U.S. tariff cuts, expires next June.

An average tariff reduction of 20 to 30 per cent is expected for industrial goods spread over the next five years, with lesser reductions for agricultural products.

INDONESIA. To ease the nation's chronic rice shortage, the government has embarked on a new program to boost rice yields. The program is supervised by agricultural students, with the government furnishing improved seed, fertilizer and pesticides on interest-free credit, repayable in kind.

From a modest beginning of 22,000 acres in 1965, the program has already spread to 540,000 acres in 1966. The yield response has been impressive and officials hope the program will expand to 2.5 million acres next year. (22)



**SCAROLE** FRESHlb. **12¢**

ISH

**'RING ONIONS or RED RADISHES 2 bunches 19¢**

WHAT  
MAKES  
FOOD  
PRICES?

SHOE PEG CORN  
MEXICORN  
CARROT NUGGETS  
CREAMED SPINACH

**SMC**

WHOLE  
OR  
SHANK  
HALF

No Slice ■■



Food prices go up or down for many reasons—some physical like weather, some economic like labor costs, some because of merchandising practices like weekend sales. Here briefly is more about why food prices can fluctuate month by month, week by week, even day by day.



*The Out-of-Season Season*

Today we can buy more foods year round at year-round prices than ever before, thanks to innovations in canning, freezing, dehydration and other ways of preserving foods.

But fresh foods are still most plentiful—and most inexpensive—during the harvest season.

True, lettuce, corn, tomatoes and other fresh fruits and vegetables turn up on the produce counter in February just as they do in August. But they're going to cost more in February.

Why? Because so few parts of the country are warm enough to grow winter crops. For instance, only California, Arizona and Florida produce winter lettuce. So supplies are shorter and prices somewhat higher. Then, too, transportation from these fringe states to the rest of the country adds to the retail price.



*The Map That Doesn't Count*

Much of our food is produced in the Midwest, which is closer to eastern markets than to those in

the West. Consequently, many homemakers seem to think that food prices are higher in the West.

Economists can show that this isn't always true. They compared sales prices of several food items in newspaper ads around the country. On the same day, chicken was cheaper in Denver than in Washington, D.C. Pork chops were advertised at the same price in at least seven cities from New York to Seattle. Chuck roast, blade-in, was advertised at the same price on one weekend in Washington, New Orleans and Seattle.

In general, various studies show that food prices don't vary much nationwide as may have been the case years ago. This, of course, holds true only for the same types of stores. Because of higher overhead costs, prices in small stores tend to be somewhat higher nationwide than in supermarkets.



*The Genie in the Kitchen*

Today one in every three American wives works. Employed or not, homemakers seem to be buying more and more pre-washed, pre-peeled, pre-cooked, pre-packaged products that come in great



*The Wayward Weather*

Nearly all consumer goods, from cars to clothespins, are produced indoors on assembly line schedules, come rain or come shine. Food, like houses and a few other commodities, is produced outdoors—at the mercy of the elements.

A long drought, a sudden freeze, a pelting hailstorm and an entire lettuce, orange or other crop can be damaged or even lost. Smaller supplies can mean higher prices.

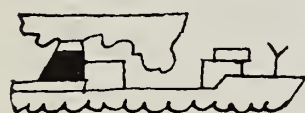
For example, about a week after a severe freeze destroyed much of the Florida citrus crop not too long ago, the price of a six-ounce can of frozen orange juice in supermarkets went up as much as 15 cents.



variety and are called the convenience foods. By saving the homemaker preparation time, they are in effect putting an extra helper in the kitchen.

But someone somewhere between farm and retail store has done the peeling, washing, cooking and packaging. These services add somewhat to the cost of most convenience foods, compared with their fresh counterparts.

However, economists can show that some convenience foods are actually cheaper than the fresh forms because they're more compact to ship and store and they have a longer shelf life. For example, frozen and canned peas are cheaper than fresh ones.



### *Those Beans From Brazil*

Our morning cup of coffee represents the end of a long journey. Except for Hawaii and Puerto Rico, the U.S. doesn't produce coffee. We import most of it from South America. This means, for instance, that coffee beans grown in Brazil have to be picked and dried and put on ships for the 6,000-or-so-mile trip to our major ports.

All of this adds to the price we pay for a pound of coffee in our food store.

Also, what we pay for coffee is partly fixed by what's happening to coffee supplies—and prices—around the world. During the mid-1950s we paid over a dollar a pound for coffee. How come? Because coffee crops in several countries were smaller than usual. World supplies fell and prices climbed.

The same laws of supply and demand set world prices of cocoa, bananas, tea, spices and other foods we have to import.

Along the same line, the gourmet items, either imported or produced here, usually cost more than our standard fare. Things like smoked salmon, snails and pickled

artichokes aren't sold in large quantities. So more of the marketing cost has to be absorbed by each can or jar sold.



### *The Many Routes To Market*

Most foods produced in the United States do a lot of traveling en route from farm to grocery store. Tomatoes grown in our own backyard, so to speak, can travel hundreds of miles to be turned into soup by a food processing firm, only to land in their new form on our own grocer's shelf.

The farmer gets less than 40 cents of every dollar we spend for food at the grocery store. The rest goes not for the food itself but for some service that adds to the value—assembly, transportation, processing, wholesaling or retailing.

Put together, these various costs for marketing foods grown in this country run to about \$52 billion a year.

Of this, about 45 per cent goes to pay the 5 million people employed by the food industry. Another 40 per cent goes for packaging, advertising, depreciation and other marketing costs. Transportation accounts for 10 per cent. The remaining five per cent is the food marketing industry's profit.



### *The Customer's Choice*

The American homemaker has veto power over the food industry. If she doesn't like and doesn't buy a product, it vanishes from the shelves.

Today the average supermarket carries 6,000 to 8,000 food items. About 40 per cent have reached the market since 1953; 60 per cent are new since World War II.

Over 5,000 new food items are introduced in a single year. But only 1,500 are accepted for sale

by grocers. And of these only 500 survive more than a year.

The price of a new product includes part of the cost to the manufacturer for developing it, testing it, creating recipes to use it, advertising it and similar outlays.

The price per can or box or package tends to drop as sales climb, partly because the initial research costs have been defrayed, partly because regular day-to-day marketing costs can be spread more thinly over the larger volume of the product being sold.



### *The American Way*

Like the rest of us, the five million Americans who work in the food industry look forward to a better life—a larger home, a college education for their children, more travel, more leisure.

From time to time these aspirations are translated into higher wages. And since wages make up 45 per cent of the cost of marketing food, a penny here, a few cents there are added to the prices we pay in our local food store.

Even then, wages in the food industry run somewhat behind those in most major industries. And food we buy at the grocery still takes less of every retail dollar we spend than the family car and the gasoline to run it.

Over time, food prices have been rising, but at a slower rate than those of many other things we need for everyday living. And, for these reasonable prices, we are provided with food in great abundance, of high quality, in many forms, during more seasons and in convenient and attractive stores.

With so many foods at so many prices to choose from, families at different income levels—young newlyweds, retired couples and all of us in between—can enjoy a variety of nutritious meals every day of the year. (22)



To stop mailing ☐ or to change your address ☐ send this sheet with new address to The Farm Index, OMS, U.S. Department of Agriculture, Rm. 1459, Washington, D. C. 20250.

### What Price Cotton?

Cotton would not be grown profitably in the Lower Rio Grand Valley of Texas if its price fell below 21 cents a pound.

That's one result of an ERS study which projected optimum farm operations in the area by varying the price of cotton from 15 to 35 cents per pound with prices of other commodities—grain sorghum, vegetables and Coastal Bermuda grass—held constant of projected levels.

Cotton replaced grain sorghum and Coastal Bermuda grass in the most profitable combination of enterprises at various stages, depending upon soil. Cotton replaced the other crops at 21 cents per pound in irrigated loam soils, at 23 cents in irrigated clay soils, at 30 cents in eastern dryland loam soils, at 34 cents in dryland clay soils and at 35 cents and above in western dryland loam soils.

As the cotton price increased, cotton acreage tended to increase gradually. As the effective cotton allotment was varied from 55 to 115 per cent of the 1963 level, more grain sorghum and Coastal Bermuda acreage was replaced by cotton.

When only grain sorghum was replaced by cotton, labor requirements tended to remain relatively constant while capital requirements and returns tended to increase.

When Coastal Bermuda pasture was replaced by cotton, capital requirements generally declined since a decrease in pasture acreage was often accompanied by a drop in the high capital-using livestock enterprises. (23)

# THE FARM INDEX

## CONTENTS

	page
THE FARM: 1965 in Review: A Good Year —Production, prices outpace expenses	5
RURAL LIFE: The Rural/Urban Gap— Three Areas of city-country disparities	11
MARKETING: Boom Times for the Blue Plate — Away-from-home eating trend	16
THE FOREIGN MARKET: U.S. Cotton Ex- ports—Our share of the world market	19
THE CONSUMER: What Makes Food Prices? — A look at fluctuation causes	22

Numbers in parentheses at end of stories refer to sources listed at end of issue.

The Farm Index is published monthly by the Economic Research Service, U.S. Department of Agriculture. August 1966. Vol. V, No. 8.

The contents of this magazine are based largely on research of the Economic Research Service and on material developed in cooperation with state agricultural experiment stations. All articles may be reprinted without permission. For information about the contents, write the editor, the Farm Index, Office of Management Services, U.S. Department of Agriculture, Washington, D. C. 20250. Use of funds for printing this publication approved by the Director of the Bureau of the Budget, May 24, 1962. Subscription orders should be sent to the Superintendent of Documents, U.S. Government Printing Office, Washington, D. C. 20402. Price 20 cents (single copy). Subscription price: \$2.00 per year; 75 cents additional for foreign mailing.

EDITOR, Theodore Crane; ASSISTANT EDITOR, Story E. Moorefield; STAFF EDITORS, Geraldine Cummins and Orville C. Schumacher; PRODUCTION EDITOR, Bill Waters.